

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 /086 W

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R 301330Z APR 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 3652

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

USINT BAGHDAD

AMEMBASSY DAMASCUS

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: PINT ECON EG

SUBJECT: PEOPLE'S ASSEMBLY DISCUSSES CORRUPTION

1. IN EVIDENT FOLLOW UP TO PRESIDENT SADAT'S REFERENCES TO URGENT REQUIREMENT FOR ELIMINATION OF CORRUPTION IN EGYPTIAN ECONOMY, PEOPLE'S ASSEMBLY HELD EXTENSIVE DISCUSSIONS ON THREE SEPARATE CORRUPTION ISSUES IN APRIL 28 SESSION. ALL ARAB-LANGUAGE DAILIES GAVE PROMINENT FRONT PAGE COVERAGE TO DISCUSSION OF THESE ISSUES ON APRIL 29.

2. CITRUS SCANDAL - EL WADI COMPANY, ONE OF TWO GOE AGRICULTURAL EXPORT FIRMS, LOST LE 5 MILLION OVER PAST YEAR. ONE OF CAUSES IS ALLEGED TO BE FACT THAT CHAIRMAN OF COMPANY CONCLUDED 3-YEAR SALES CONTRACT WITH UNSPECIFIED BLOC COUNTRIES AT FIXED PRICE FOR ENTIRE PERIOD, THEREFORE ELIMINATING POSSIBILITY OF INCREASING

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REVENUES AS WORLD PRICE INCREASED. SUGGESTED REASONS

FOR THIS ACTION WERE DESIRE TO ARRANGE SIZEABLE CONTRACT WHICH WOULD PERMIT PERSONAL PROFIT, RELATED MATTER IS FACT THAT 3 INDIVIDUALS, WHOSE NAMES WERE GIVEN OUT IN ASSEMBLY SESSION, ARE REPORTED TO HAVE GAINED OVER LE 500,000 THROUGH PAYMENT OF COMMISSIONS ON THE SALES. (COMMISSIONS OF 1-3 PERCENT PAID BY PUBLIC COMPANIES TO INTERMEDIARIES ARE LEGAL, BUT THEY ARE DIFFICULT TO JUSTIFY WHEN SALES ARE MADE GOVERNMENT TO GOVERNMENT, E.G. ON A CLEARING ACCOUNT. USSR, HOWEVER, HAS ALWAYS INSISTED ON WORKING THROUGH AN INTERMEDIARY IN EGYPT WHEN MAKING PURCHASES. THIS PROVIDES INTERMEDIARY WITH THE LEVERAGE NEEDED TO INSURE THE MAXIMUM COMMISSION FROM WHICHEVER CITRUS EXPORT FIRM, FOR EXAMPLE, THAT HE SELECTS FOR THE CONTRACT.) ONE OF KEY QUESTIONS ASKED BY PA IS WHETHER OR NOT TAXES WERE PAID ON THESE SUMS. MINTRADE HAS AGREED TO SUBMIT CASE TO PUBLIC PROSECUTOR FOR INVESTIGATION.

3. IRANIAN BUS PURCHASE - CONTRACT CONCLUDED UNDER HEGAZI GOVERNMENT FOR PURCHASE OF 1,000 BUSES FROM IRAN WAS ALLEGEDLY CONCLUDED AT A PRICE HIGHER THAN FOR COMPARABLE BUSES FROM OTHER SOURCE. RUMOR IS THAT PERSONS CLOSE TO FORMER PRIMIN HEGAZI BENEFITED TO TUNE OF 2 MILLION DOLLARS FROM THIS TRANSACTION. HEGAZI'S LETTER TO FACT-FINDING COMMITTEE WILL BE AVAILABLE AT ASSEMBLY SESSION ON MAY 13, DATE FIXED FOR DISCUSSION THIS SUBJECT.

4. REINFORCING BARS -ASSEMBLY'S HOUSING, UTILITIES AND RECONSTRUCTION COMMITTEE HAS RAISED QUESTION OF CONTRACT, SUBSEQUENTLY CANCELLED, TO PURCHASE 100,000 TONS REINFORCING BARS FROM SPANISH COMPANY AT COST OF 280 DOLLARS PER TON, WHEN MINHOUSING AND RECONSTRUCTION HAD IN ITS POSSESSION OFFERS OF SIMILAR MATERIALS FOR 220 DOLLARS PER TON. MINHOUSING OSMAN, IN WHAT WAS APPARENTLY ACRIMONIOUS EXCHANGE, DEMANDED THAT SUBJECT BE DISCUSSED IMMEDIATELY SINCE IT WAS SERIOUS ACCUSATION AGAINST HIM OF NEGLIGENCE OR WORSE. HE ALSO REFERRED TO SPECIFIC RIGHTS GRANTED TO HIM BY PRESIDENT, CABINET AND ASSEMBLY WHEREBY HE IS NOT BOUND BY RULES NORMALLY APPLIED AND CAN MAKE DIRECT PURCHASE OF MATERIALS AND EQUIPMENT NECESSARY FOR PROCESS OF RECONSTRUCTION. HE SAID CONTRACT WAS BEST LIMITED OFFICIAL USE

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AVAILABLE AT THE TIME, AND WAS CANCELLED BY SPAIN FOR REASONS RELATED TO ITS OWN NATIONAL INTERESTS. (WE THINK BECAUSE IT WAS DISCOVERED THAT THERE WOULD BE A CONSIDERABLE DELAY IN PAYMENT.) ASSEMBLY DECIDED TO TAKE UP RE-BAR DEAL ON MAY 26.

5. COMMENT: INTRODUCTION OF INTERPELLATION ON CORRUPTION PROMISES TO LEAD TO HEATED AND DETAILED DEBATE. ACCUSATIONS

INVOLVE PERSONS AT HIGHEST LEVELS OF GOE IN BOTH FORMER AND
PRESENT CABINET. WHILE PRESIDENT SADAT AND PRIMIN SALIM
HAVE BOTH CALLED FOR OPEN DEBATE ON INTERNAL PROBLEMS,
NEITHER CAN BE PLEASED BY PA DISCUSSIONS.

6. INDIVIDUALS NAMED IN CITRUS SCANDAL ARE EVIDENTLY
WELL-KNOWN IN BUSINESS CIRCLES AS PERSONS WHO HAVE
BENFITED GREATLY FROM OPPORTUNITIES PROVIDED IN ARRANGING
EXPORTS TO BLOC. THEIR SUCCESS HAS APPARENTLY BEEN COMMON
KNOWLEDGE FOR SOME TIME, AND CURRENT ATTENTION
MAY REFLECT PERSONAL ANTAGONISM OF SOME PA MEMBERS.
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